

## AGREEMENT - RESTRICTED ACCOUNT AFDC PROGRAM

Beginning 4/1/94 and ending 3/31/99, a family getting Aid to Families with Dependent Children (AFDC) can keep up to \$5000 in a special savings account in any financial institution, such as a bank, credit union, savings and loan, etc. These special savings accounts are called restricted accounts. You can have **only** up to a total of \$5000, even if you have more than one restricted account. Funds in a restricted account(s) don't count against the \$2000 property limit for recipients. Funds saved in a restricted account can **only** be spent for one or more allowable expenses directly related to:

- Buying a home for you to live in.
- Starting up a new business.
- Educational or vocational training after high school for a child who got AFDC on or after the date you signed this Agreement.

If your aid stops after setting up a restricted account and you reapply for AFDC, you must meet the applicant limits of \$1000 for property before you can get AFDC again.

### RULES FOR A RESTRICTED ACCOUNT:

- You must be getting AFDC.
- You must sign an Agreement-Restricted Account (CA 86) before starting the restricted account.
- You must keep the money in a financial institution, such as a bank, credit union, savings and loan, etc.
- You must keep the funds in a restricted account separate from any other account.
- You can **only** spend the money on an allowable expense on or before 3/31/99. (See the next column for allowable expenses.)
- Interest earned on the restricted account(s) must be deposited directly into the account(s) by the bank, credit union, etc.
- Funds up to \$5000 in all restricted accounts don't count against your \$2000 property limit. Amounts over \$5000 will count against your \$2000 property limit.
- **Within 30 calendar days** after you sign and date the Agreement, you must give the county:
  - the name and address of the bank, credit union, etc.
  - the name(s) as shown on the account(s)
  - the account number(s)
  - all account balance(s) and activity since the date you signed this Agreement. (See Page 2 for types of proof.)
- **Within 30 calendar days** after a withdrawal, you must give the county proof of the withdrawal and how you spent the funds. (See Page 2 for types of proof.)
- **Your AFDC can stop for a period of time, called a penalty period, if funds from a restricted account are spent on an expense that isn't allowable, even if the expenses are due to a death or other life-threatening emergency. The more you have in the restricted account(s) before the withdrawal, the longer your family won't get AFDC, even if you already spent all of the funds from the restricted account(s). (See Page 2 for penalty period.)**

**ALLOWABLE EXPENSES:** You have the right to spend the money from the restricted account(s) for one or more allowable expenses directly related to the:

- **PURCHASE OF A HOME FOR YOU TO LIVE IN:**

Allowable expenses include:

- deposits, fees, down payment, principal payment
- closing costs
- repairs and fixtures.

Allowable expenses don't include the purchase of furniture or household goods.

- **EDUCATION OR VOCATIONAL TRAINING AFTER HIGH SCHOOL FOR A CHILD WHO GOT AID ON OR AFTER THE DATE OF THIS AGREEMENT:**

Allowable expenses include:

- fees, tuition, books, school supplies, equipment, special clothing needs
- cost of transportation to and from school/vocational training
- student housing and meals
- child care services needed to attend school.

- **STARTING UP A NEW BUSINESS:**

Allowable expenses include:

- purchase, repair and upkeep of business equipment, tools, uniforms or other protective or required clothing and shoes
- payments on loan principal and interest for business assets or durable goods
- rent and utility payments for office or floor space
- employee salaries
- inventory; shipping and delivery costs
- business fees, taxes, insurance, bookkeeping or other professional services.

Allowable expenses don't include personal expenses, such as entertainment.

**BEFORE STARTING A RESTRICTED ACCOUNT, YOU SHOULD HAVE CLOSE TO YOUR \$2000 PROPERTY LIMIT. HERE'S WHY:**

**YOU CAN'T USE ANY OF THE FUNDS IN YOUR RESTRICTED ACCOUNT(S) TO PAY FOR EMERGENCIES, NOT EVEN WHEN THE EMERGENCY IS DUE TO A DEATH OR LIFE-THREATENING SITUATION.**

## PENALTY PERIOD

A penalty period stops your AFDC for a period of time. You will have a penalty period if anyone:

- withdraws money from the restricted account(s) for a nonallowable expense(s).
- within 30 calendar days after a withdrawal:
  - doesn't spend the money on allowable expenses.
  - doesn't put back into the restricted account(s), any money that wasn't spent when the allowable expense didn't happen or was less than expected.
  - doesn't give proof to the county of the amount withdrawn; the balance before the withdrawal; and what the money was spent on.
- gets interest from a restricted account sent by the bank, credit union, etc. and doesn't put the interest into the restricted account within 30 calendar days after getting it.

## HOW TO FIGURE THE PENALTY PERIOD

We:

- a. take the balance in all restricted accounts just before the withdrawal or just before the interest payment was sent to you.
- b. minus any amount you spend for an allowable expense(s).
- c. divide the difference by the basic need amount for the number of persons in your Assistance Unit at the time of the withdrawal, plus any special needs.
- d. round down to the nearest whole number. This number will be the months your family won't get AFDC.

## EXAMPLE OF A PENALTY PERIOD

A family of 3 saved \$5000 in a restricted account. The family withdrew \$4500 but only spent \$3000 on allowable expenses.

- a. Balance in their restricted account just before withdrawal .....\$5000
- b. Minus the amount they spent for allowable expense(s).....-\$3000  
Difference .....=\$2000
- c. Divide the \$2000 difference by the basic need amount (\$715 for their family of 3 as of January 1, 1994) plus their special needs (\$0) .....2.79  
months
- d. Round down to nearest whole number of months .....2 months

This family's AFDC stops for 2 months starting the 1st day of the month after the withdrawal. And if this family got a payment(s) for the month(s) after the withdrawal, the family was overpaid and owes us for that cash aid payment(s).

## PROOF

You need to give the county proof about the restricted account(s) and how you spend funds withdrawn from the account(s).

Examples of proof about the restricted account(s):

passbook, bank statement, or receipt from a bank, credit union, etc., that shows the name and address of the bank, the name(s) on the account(s), and all account balances and activity since the date you signed this Agreement.

Examples of proof to show how you spent the funds:

a receipt, cancelled check, or a signed statement from the provider of goods or services that shows the type and amount of expense(s) paid.